

**Public Service Company of New
Hampshire
Docket No. DE 10-261**

Data Request CLF-02

**Dated: 05/23/2011
Q-CLF-003
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**Witness: David A. Errichetti
Request from: Conservation Law Foundation**

Question:

Refer to IRP Section III, Page 33, the statement that “each day normally includes a number of hours in which PSNH has surplus supply that is sold into the ISO-New England spot market.” Please state whether PSNH sells power into the spot market during hours when the ISO-NE clearing price is lower than PSNH’s marginal cost for producing energy at any of its then operating generating units. Please provide the amount of aggregate time, in hours, during which PSNH sold power from any of its units into the spot market for hours in which the ISO-NE clearing price was lower than PSNH’s marginal cost for producing energy at any of its operating generating units for each hour during the year immediately prior to the 2011-2015 planning period. If PSNH plans to change any of its relevant practices, as discussed above, during the planning period, please state so and explain the planned changes.

Response:

There are hours when a unit is dispatched and its output is sold into the ISO-NE spot market at a time when the clearing price (LMP) is lower than PSNH's marginal cost for producing the energy. These situations can occur when it is less costly for PSNH, on a net basis, to continue to run the unit during those hours than it would be to shut the unit down and bring it back on given the unit's operating characteristics (e.g., minimum down time, minimum run time). In these instances shutting the unit down would cost more than keeping it online because the costs to cycle the unit off and on plus any lost hours of economic operation due to unit operating characteristics exceed the "loss" that will be incurred by running the unit during hours when its marginal cost exceeds the LMP. Therefore, it makes economic sense to continue to operate the unit during those hours, since the net cost is lower than the cost PSNH would incur if it shut the unit down.

This situation may also occur when ISO-NE dispatches a unit out of merit to provide operating reserves or to meet some short term reliability need and it receives net commitment period compensation (NCPC) and may occur when a unit is generating due to operational considerations.

PSNH has estimated that 3.4% of total resource generation (as defined in PSNH's ES cost reconciliation process) aggregated over 1,766 hours was sold into the spot market for the subject time period under the stated conditions. In estimating this amount, PSNH utilized after-the-fact dispatch prices based on fuel accounting costs to develop single annual dispatch prices for the units. Since this number was an estimate, the analysis did not reflect each unit's hourly marginal cost but rather an indicative price for the year that included all start/shutdown charges, no-load costs and incremental load costs.